

To the Members of the California State Assembly:

I am signing Assembly 2863 to give California local governments an important tool for helping them address future healthcare costs for retired public employees. This bill will allow local governments to respond to new accounting rules requiring that such retiree health care costs be booked as liabilities, by giving them the authority to invest the assets set aside to pay these costs through their local county retirement system.

When this bill was awaiting final action by the Legislature, the Department of Finance proposed amendments including one to clarify that contracts between any public employer and any retirement system to pre-fund post-employment benefits do not create any new obligations for either party to provide specific levels of benefits to employees, retired employees, or survivors.

I am extremely concerned about the issue of unfunded health care liabilities facing state and local pension systems. I have directed my staff and the Department of Finance to immediately begin discussing this issue. State and local governments have extremely important decisions to make regarding the unfunded liability. I feel confident that by working together, all the interested parties can craft solutions that meet the needs of employers and employees without creating any unintended consequences.

Sincerely,

Arnold Schwarzenegger